



CAUTION

Documents in this file have
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Archives and Records Staff

MF116263

Lease Type	Control	Basefile	County
52.076 [Unleas	01-003416		LOVING
	01-003425		REEVES
	Survey		
	Block		
	Block Name		
	Township		
	Section/Tract		
	Land Part		
	Acres	Net: 16.860000	Gross: 16.860000
	Depth Below	Depth Above	Depth Other
	Name	MRC PERMIAN COMPANY	
	Lease Date	3/4/2014	
	Primary Term	1 years	
	Bonus	\$50,580.00	
	Lease Royalty	0.25000000	
	Paid Up	NA	

Leasing:

Maps:

GIS:

Scanlab:

Contents of Mineral File Number: M-116263

1. Bonus 2/17/14
2. Ltr. to Matador 6/6/14
3. Pooling Agrmt Packet #6723
Arno # 1 H Unit 8/1/14
4. Ltr. From MRC 8/1/14
5. Recorded Pooling Agrmt 8/1/14
6. Shut in royalty payment 11-6-14
7. Ltr Requesting shut in affidavit 11-13-14
8. Shut in affidavit 12-4-14
9. SIR Committee agenda + decision 12-22-14
Scanned sm 2/23/16
10. Division Order 7-12-16
Scanned pt 9-12-16
11. Division Order 8-28-17
Scanned sm 9/13/2017
12. Reconciliation Billing 10/22/19
Scanned sm 10/23/2019
13. ~~Recon~~ Recon Billing 3/25/21
14. Recon Billing 3/25/21
SCANNED JP 4/01/21
15. Recon Billing 1/4/2022
Scanned JCN 11/11/2022

INVOICE

DATE

DESCRIPTION

14707480

NET

020414-2

02/04/14

Bonus f/pooled acreage
16.86

50,580.00

121

③ Pooling
Fee

VENDOR TEX0017 CHECK 10589 DATE 02/10/14 50,580.00

WARNING: THE FACE OF THIS DOCUMENT HAS A COPY PROOF BACKGROUND ON WHITE PAPER AND A MICROPRINT SIGNATURE LINE

MRC PERMIAN COMPANY
5400 LBJ FREEWAY STE 1500
DALLAS, TEXAS 75240

Comerica Bank
Dallas, TX

14707480

PAY THIS AMOUNT:

***50,580 Dollars and No Cents

CHECK NO	CHECK DATE	CHECK AMOUNT
10589	02/10/14	\$*****50,580.00

PAY TO THE ORDER OF
Texas General Land Office
Stephen F Austih Building
1700 N Congress Ave., Room 640
Austin TX 78701-1495

Michael Frazl

SECURITY FEATURES INCLUDED. DETAILS ON BACK

⑈0010589⑈

①

File No. M-116263
Bonus

Date Filed: 2/12/14
Jerry E. Patterson, Commissioner
By [Signature]

57374

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

June 6, 2014

Ms. Diane E. Strickling
Matador Resources Company
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

RE: Pooling Agreement and §52.076 Pooling Agreement
ARNO #1H Unit
GLO Unit No. 6723
Loving and Reeves Counties, Texas

Dear Ms. Strickling:

Enclosed is a duplicate original of the above referenced Pooling Agreement and Pooling Agreement pursuant to §52.076 that have been executed by Jerry E Patterson, Commissioner of the Texas General Land Office. We have retained the other duplicate original of each Agreement for our files. The Pooling Agreement pursuant to §52.076 will be filed in Mineral File **M-116263**. Please refer to this file number when making royalty payments and in all future correspondence with the State involving the unleased mineral interest within the referenced unit. For purposes of royalty reporting to the GLO, this Unit has been assigned **GLO Unit No. 6723**.

We also hereby acknowledge receipt of \$50,580.00 as the consideration to the State for pooling the unleased mineral interest under the river.

Thank you for your assistance with this matter, if you have any questions, please do not hesitate to contact me.

Sincerely,

J. Daryl Morgan, CPL
Energy Resources Division
(512) 305-9106

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

P.O. Box 12873 • Austin, Texas 78711-2873

512.463.5001 • 800.998.4GLO

glo.texas.gov

②

File No. MT 116263
Ltr. to Matador

Date Filed: 6/6/14
Jerry E. Patterson, Commissioner

By [Signature]

DO NOT DESTROY



Texas General Land Office

UNIT AGREEMENT MEMO

UPA148050

Unit Number 6723
Operator Name MRC Permian Company Effective Date 03/04/2014
Customer ID Unitized For Oil And Gas
Unit Name ARNO # 1H Unit Unit Term
County 1 Loving RRC District 1 08 Old Unit Number Inactive Status Date
County 2 Reeves RRC District 2 08
County 3 RRC District 3
County 4 RRC District 4
Unit type Permanent
State Net Revenue Interest 0.06957730
State Part in Unit 0.33577565
Unit Depth Specified Depths Well
From Depth 0 Surface Formation Wolfcamp
To Depth 10850 100 feet below deepest depth drilled Participation Basis Surface Acreage
TVD

If Exclusions Apply: See Remarks

Lease Number	Tract No	Lease Acres in Unit	Total Unit Acres	Tract Participation	Lease Royalty	Tract Royalty Participation	Royalty Rate Reduction Clause
MF116263	1	16.860000	348.030000	0.04844410	0.25000000	0.01211102	No
MF078845	2	100.000000	348.030000	0.28733155	0.20000000	0.05746631	No

API Number 301-32169

Remarks: 52.076 on the Pecos River. Unit depth from the surface to 100 feet below the deepest depth drilled

Prepared By: REW Prepared Date: 11-12-14
GLO Base Updated By: REW GLO Base Date: 11-12-14
RAM Approval By: VAD RAM Approval Date: 3-13-14
GIS By: GIS Date:
Well Inventory By: MPB WI Date: 11/12/14

Pooling Committee Report

To: School Land Board

UPA148050

Date of Board Meeting: 03/04/2014

Unit Number: 6723

Effective Date: 03/04/2014

Unit Expiration Date:

Applicant: MRC Permian Company

Attorney Rep:

Operator: MRC Permian Company

Unit Name: ARNO # 1H Unit

Field Name: Phantom (Wolfcamp)

County:

Loving

Reeves

<u>Lease Type</u>	<u>Lease Number</u>	<u>Lease Royalty</u>	<u>Expiration Date</u>	<u>Lease Term</u>	<u>Lease Acres</u>	<u>Lease Acres In Unit</u>	<u>Royalty Participation</u>
52.076	MF116263	0.25000000	03/04/2015	1 years	16.860000	16.860000	0.01211102
U Fee	MF078845	0.20000000	02/06/1982	3 years	100.000000	100.000000	0.05746631

52.076 on the Pecos River

Private Acres: 231.170000
State Acres: 116.860000
Total Unit Acres: 348.030000

Participation Basis: Surface Acreage
Surface Acreage
State Acreage: 33.58%
State Net Revenue Interest: 6.96%

Unit Type: Permanent
Unitized for: Oil And Gas
Term:

RRC Rules: Yes
Spacing Acres: 704 acres for a 5750 foot lateral

Working File Number: UPA148050

REMARKS:

- MRC Permian Company is requesting permanent oil and gas pooling from the surface to 100 feet below the deepest depth drilled in order to test the Wolfcamp Formation.
- The applicant plans to spud the unit well on April 1, 2014, with a proposed TD of 10,750 feet TVD. A 5,750 foot lateral is expected to be drilled.
- With approval of the unit the State's unit royalty participation will be 6.96%.
- To compensate the State for lost lease bonus on the unleased Pecos River, the applicant has agreed to pay the Permanent School Fund \$3,000.00 per net mineral acre, for a total of \$50,580.00.
- The State will participate on a unitized basis from the date of first production.

POOLING COMMITTEE RECOMMENDATION:

The Pooling Committee recommends Board approval of a permanent oil and gas unit under the above-stated provisions.



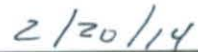
Mary Smith - Office of the Attorney General



Date



Robert Hatter - General Land Office



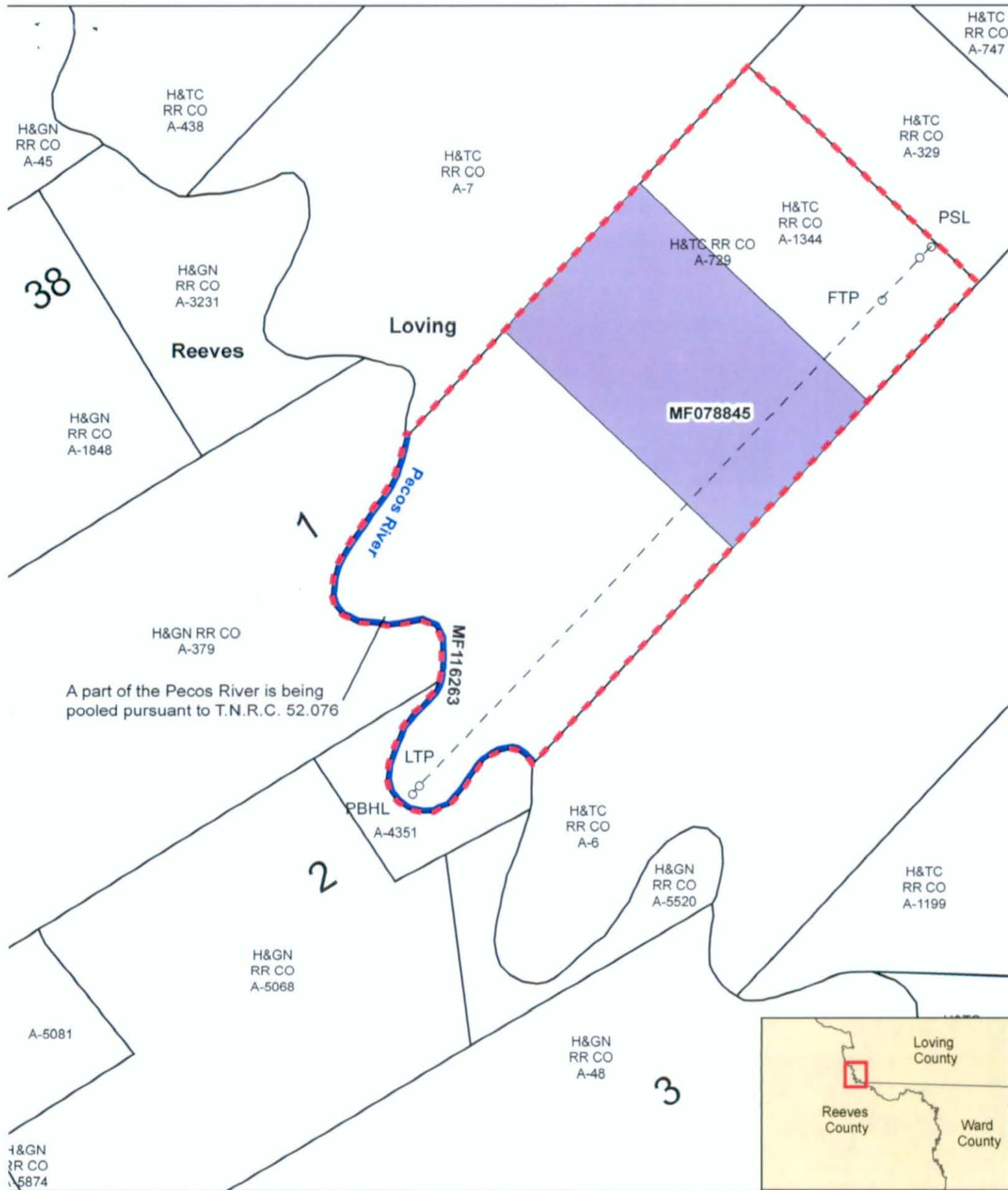
Date



David Zimmerman - Office of the Governor



Date



Unit #6723
MRC Permian Company
ARNO #1H Unit
Phantom (Wolfcamp) Field
MF078845, MF116263
Loving /Reeves Counties, Texas

1,000 500 0 1,000 Feet

The Texas General Land Office makes no representations or warranties regarding the accuracy or completeness of the information depicted on this map or the data from which it was produced. This map IS NOT suitable for navigational purposes and does not purport to depict or establish boundaries between private and public land.



Map Generated by:
Zeke Guillen
IS/BAS/GIS
March 2014

**POOLING AGREEMENT PURSUANT TO TNRC § 52.076
STATE OF TEXAS / MRC PERMIAN COMPANY
ARNO #1H UNIT
M-116263 – GLO UNIT NO. 6723
LOVING AND REEVES COUNTIES, TEXAS**

THIS AGREEMENT ("Agreement") is made and entered into effective March 4, 2014, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and MRC Permian Company ("MRC").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under approximately 16.86 acres of the Pecos River contained within the boundaries of the 348.03-acre, ARNO #1H Unit ("Unit") said 16.86 acres being hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code §52.076(a)(4), the School Land Board has authority to pool unleased river beds and channels owned by the State; and

WHEREAS, MRC and the State desire to pool the unleased interest into said Unit; and

WHEREAS, the School Land Board at its regular meeting on March 4, 2014, determined that pooling said unleased interest as to oil and gas produced from the surface to 100 feet below the deepest depth drilled as more particularly described in Exhibit "2" is in the best interest of the State.

NOW, THEREFORE, in consideration of the payment to the State of \$50,580.00 and of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree as follows:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and MRC agree that nothing herein shall be construed as granting a leasehold interest to MRC in the unleased interest but rather this Agreement affects a contractual pooling of interests with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and MRC with respect to the unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and MRC the Lessee and the State shall receive its share of Unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement shall remain in effect for a term of one year from the effective date (herein called "primary term") and so long as the pooled mineral is being produced in paying quantities from the Unit, or so long as this Agreement is maintained in force by payment of shut-in oil or gas well royalties on a Unit well, by drilling or rework operations on a Unit well, or by other means in accordance with the terms of Exhibit "1" to this Agreement, or so long as the instrument creating the Unit remains in effect; provided that this Agreement shall automatically terminate on the date production of the pooled mineral ceases and there are no further operations on the Unit to re-establish production of the pooled mineral, even though the instrument creating the pooled unit may remain in effect because a dissolution of unit has not been filed of record.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.

413 9

7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

Date Executed 6/4/14

STATE OF TEXAS

legal MMU
leas. REW
cont. MMU
exec. MMU

Jerry E. Patterson
Jerry E. Patterson, Commissioner
General Land Office

Date Executed May 29, 2014

MRC PERMIAN COMPANY

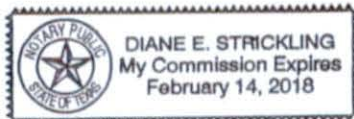
By: Craig N. Adams ^{one} _{JF}

Its: Craig N. Adams, Executive Vice President-Land & Legal

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on May 29, 2014, by Craig N. Adams as Executive Vice President of MRC Permian Company, a TEXAS corporation on behalf of said corporation.



Diane E. Strickling
Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on March 4, 2014, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this 5th day of June, 2014.

Stephanie Crenshaw
Secretary of the School Land Board

EXHIBIT "1"

§52.076 Exhibit 1, Revised 3/07

1. RESERVATION AND GRANT: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. PRODUCTION ROYALTIES: Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof:

(A) **OIL:** As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, $\frac{1}{4}$ part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby pooled is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) **NON-PROCESSED GAS:** As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) $\frac{1}{4}$ part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater provided that the maximum pressure base in measuring the gas under this agreement contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) **PROCESSED GAS:** As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this agreement, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this agreement; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) **OTHER PRODUCTS:** As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during the same month in which such product is produced, or
- (2) On the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

(E) **NO DEDUCTIONS:** Lessee agrees that all royalties accruing to Lessor under this agreement shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(F) **ROYALTY IN KIND:** Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this agreement be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this agreement.

(G) **PLANT FUEL AND RECYCLED GAS:** No royalty shall be payable on any gas as may represent this agreement's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the General Land Office, Lessee may recycle gas for gas lift purposes on the pooled area after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this agreement.

(H) **MINIMUM ROYALTY:** The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

3. ROYALTY PAYMENTS AND REPORTS: All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner: Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

4. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the pooled

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mineral produced from the pooled area, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) DRILLING RECORDS: Written notice of all operations on the pooled unit shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall send a true copy of all logs on each unit well to the General Land Office within fifteen (15) days after the making of said log.

(C) PENALTIES: Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

5. OFFSET WELLS: If the pooled mineral should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this agreement, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this agreement begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this agreement, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this agreement, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

6. DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM: If, at the expiration of the primary term, the pooled mineral is not being produced from the pooled area, but Lessee is then engaged in drilling or reworking operations thereon, this agreement shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this agreement.

7. CESSATION, DRILLING, AND REWORKING: If at the end of, or after the primary term, production of the pooled mineral should cease from any cause, this agreement shall not terminate if Lessee re-establishes production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this agreement shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. For a cessation of production prior to the end of the primary term, Lessee may use the expiration of the primary term as the date of cessation of production. If such drilling or reworking operations result in the production of the pooled mineral, the agreement shall remain in full force and effect for so long as the pooled mineral is produced from the pooled unit in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, this agreement will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this agreement shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

8. SHUT-IN ROYALTIES: For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If at any time after the end of the primary term, a well capable of producing the pooled mineral in paying quantities is located on the pooled area, but the pooled mineral is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to \$10.00 per acre pooled, but not less than \$1,200 for each well capable of producing the pooled mineral in paying quantities. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term (2) 60 days after the Lessee ceases to produce the pooled mineral from the pooled area, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the terms of this agreement, whichever date is latest. If the shut-in oil or gas royalty is paid, this agreement shall be considered to be a producing agreement and the payment shall extend the term of the agreement for a period of one year from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the pooled mineral exists, Lessee may extend this agreement for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

9. COMPENSATORY ROYALTIES: If, during the period the agreement is kept in effect by payment of the shut-in oil or gas royalty, the pooled mineral is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the pooled area and completed in the same producing reservoir, or in any case in which drainage of the pooled mineral is occurring, the right to continue to maintain the agreement by paying the shut-in oil or gas royalty shall cease, but the agreement shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the agreement for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in this agreement of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the pooled area. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the pooled mineral is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the pooled area; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments, which are not timely paid, will accrue penalty and interest in accordance with Paragraph 3 of this agreement.

10. USE OF WATER; SURFACE: Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

11. POLLUTION: In developing this pooled area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties.

(A) Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

(B) No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the pooled area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject this agreement to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) PENALTY: Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the agreement. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

12. IDENTIFICATION MARKERS: Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this agreement, a legible sign on which shall be stated the name of the operator, the State Lease Number designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are



connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this agreement.

13. ASSIGNMENTS: The agreement may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the agreement, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All assignments must reference this agreement by the State Lease Number and must be recorded in the county where the pooled area is located, and the recorded assignment or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such assignment or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the agreement, including any liabilities to the state for unpaid royalties.

14. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all of the pooled mineral produced from the unit to secure payment of all unpaid royalty and other sums of money that may become due under this agreement. By acceptance of this agreement, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all pooled minerals in and extracted from the pooled area, all proceeds which may accrue to Lessee from the sale of such minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the pooled area used in connection with the production or processing of such minerals in order to secure the payment of all royalties or other amounts due or to become due under this agreement and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this agreement, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's pooling of the area. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this agreement forfeited as provided herein.

15. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this agreement and the rules and regulations that may be adopted relative hereto.

16. RIVERBED TRACTS: Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

17. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140.

18. REMOVAL OF EQUIPMENT: Upon the termination of this agreement, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells on State Land without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the pooled area the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of the pooled mineral therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

19. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area, provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

20. SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from the pooled area. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points of the pooled area's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

21. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

22. ANTIQUITIES CODE: In the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural, archeological or historical interest are encountered on Permanent School Fund Land during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998).

23. VENUE: Lessor and lessee, hereby agree that venue for any dispute arising out of a provision of this agreement, whether express or implied, regarding interpretation of this agreement, or relating in any way to this agreement or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

24. FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this agreement must be filed of record in the office of the County Clerk in any county in which all or any part of the pooled area is located, and recorded copies thereof must be filed in the General Land Office.



EXHIBIT "2"

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit until the later of one year from the effective date of this Agreement or the date a well spud within one (1) year of the effective date of this Agreement reaches total depth, and thereafter this agreement shall be limited to and only include those depths from the surface to 100 feet below the deepest depth drilled on the unit ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 348 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or

475 9

(3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.

- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

DISSOLUTION:

6.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Loving and Reeves Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

7.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease or Pooling Agreement that has expired, terminated, or has been released in whole or in part or terminated under the their terms or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease or Pooling Agreement; (3) constitute a waiver or release of any claim by the State that such lease or Pooling Agreement is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or Pooling Agreement or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.



"Exhibit A"

Lease 1:

Date: March 31, 1980

Recorded: Volume 56, Page 702, Oil and Gas Lease Records of Loving County.

Lessor: H.M. Boddy, a single man, and Vivian Boddy, a widow, individually and as independent Executrix of the Estate of J.E. Boddy.

Lessee: H.V. Beck, Jr.

Lease 2:

Date: February 6, 1979

Recorded: Volume 53, Page 625, Oil and Gas Lease Records of Loving County.

Lessor: State of Texas, acting by and through Bob Armstong, Commissioner of the General Land Office of the State of Texas.

Lessee: American Trading and Producing Company.

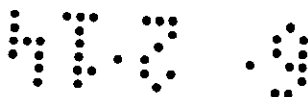
Lease 3:

Date: April 1, 1979

Recorded: Volume 55, Page 258, Oil and Gas Lease Records of Loving County.

Lessor: Anna Goodrich, a widow; Thelma Goodrich, individually and as Independent Executrix of the Estate of Descom Goodrich, Deceased; Ellen Goodrich, individually and as Independent Executrix of the Estate of Gaylord Goodrich, Deceased; and Lloyd Lawson Goodrich

Lessee: American Trading and Production Company.



Lease 4:

Date: August 31, 1978
Recorded: Volume 52, Page 323, Oil and Gas Lease Records.
Lessor: Starr Commonwealth for Boys, a Michigan corporation.
Lessee: Curtis Pool.

Lease 5:

Date: September 14, 1978.
Recorded: Volume 53, Page 107, Oil and Gas Lease Records.
Lessor: Hermon Peirce Hubbard and wife, Barbara Hubbard, and Frances H. Kerr, Individually and as Independent Executrix of the Estate of William L. Kerr, Deceased.
Lessee: Curtis Pool.

Lease 6:

Date: September 29, 1978.
Recorded: Volume 53, Page 143, Oil and Gas Lease Records.
Lessor: UV Industries, Inc., formerly United States Smelting Refining and Mining Company.
Lessee: American Trading and Production Company.

Lease 7:

Date: December 4, 1978
Recorded: Volume 54, Page 546, Oil and Gas Lease Records.
Lessor: Transwestern, Inc.
Lessee: Curtis Pool.

Lease 8:

Date: July 21, 1980
Recorded: Volume 57, Page 822, Oil and Gas Lease Records.
Lessor: Felmont Oil Corporation.
Lessee: American Trading and Production Corporation.

"Exhibit B"

Tract 1:

Farm Lots 19-29 (inclusive) of the F. N. Johnson Subdivision of Section 78, containing 146.9 acres, more or less.

Tract 2:

Mid part of the Southwest part of Section 78, also known as Farm Lots 9-18 (inclusive) of the F. N. Johnson Subdivision, containing 100 acres, more or less.

Tract 3:

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, containing 40 acres more or less.

Tract 4:

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the SW/4 NE/2 of Section 78, together containing 71.345 acres, more or less.

Tract 5:

State of Texas mineral interest in 16.86 acres out of the Pecos River, Loving and Reeves Counties, Texas (Pooling Agreement M-116263 - GLO Unit No. 6723)

"Exhibit B"

Tract 1:

Farm Lots 19-29 (inclusive) of the F. N. Johnson Subdivision of Section 78, containing 146.9 acres, more or less.

Tract 2:

Mid part of the Southwest part of Section 78, also known as Farm Lots 9-18 (inclusive) of the F. N. Johnson Subdivision, containing 100 acres, more or less.

Tract 3:

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, containing 40 acres more or less.

Tract 4:

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the SW/4 NE/2 of Section 78, together containing 71.345 acres, more or less.

Tract 5:

State of Texas mineral interest in 16.86 acres out of the Pecos River, Loving and Reeves Counties, Texas (Pooling Agreement M-116263 - GLO Unit No. 6723)



LEASE NAME & WELL NO.

ARNO #1H

UNIT/LEASE ACREAGE

348.03 ACRES

TOPOGRAPHY & VEGETATION

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY

±3.63 MILES SOUTHWEST OF MENTONE, TEXAS

DESCRIPTION

SECTION 78, H. T. C. RR. CO. SURVEY, A-1344
REEVES/LOVING COUNTY, TEXAS

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with correct T.B.P.I.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:



[Signature]

Texas Reg. No. 5857

I, Michael Blake Brown, a Registered Professional Land Surveyor, and an authorized agent of Topographic Land Surveys, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plat is for Texas Railroad Commission permitting only.

ALL BEARINGS, DISTANCES, AND COORDINATE VALUES CONTAINED HEREON ARE BASED UPON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE OF THE NORTH AMERICAN DATUM 1983, U.S. SURVEY FEET
ORIGINAL DOC. SIZE: 8.5"x14"



1400 EVERMAN PARKWAY, Ste. 197 - FT. WORTH, TEXAS 76140
TELEPHONE: (817) 744-7512 - FAX: (817) 744-7548
TEXAS FIRM REGISTRATION NO. 10042504
WWW.TOPOGRAPHIC.COM



Proposed Surface Hole Location:
UNIT/LEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL
Ground Elevation: 2663.4', Staked 3/14/14
X=982148 Y=742588
LAT.: N 31.6672939 LONG.: W 103.6053650

Kick Off Point:
UNIT/LEASE: 50' FNEL & 467' FSEL
SURVEY/SECTION: 50' FNEL & 467' FSEL
X=982251 Y=742697
LAT.: N 31.6678039 LONG.: W 103.6050469

Proposed Penetration/First Take Point:
UNIT/LEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL
X=982148 Y=742588
LAT.: N 31.6672939 LONG.: W 103.6053650

Proposed Last Perforation/Last Take Point:
UNIT/LEASE: 6273' FNEL & 172' FSWL
SURVEY/SECTION: 3329' FNEL & 45' FSWL
X=978010 Y=738143
LAT.: N 31.6547459 LONG.: W 103.6182390

Proposed Terminus Hole Location:
UNIT/LEASE: 6363' FNEL & 94' FSWL
SURVEY/SECTION: 30' FNEL & 94' FSWL
X=977949 Y=738077
LAT.: N 31.6545599 LONG.: W 103.6184298

LEGEND:

—X— Fence
—E— Powerline
—W— Water Line
—P— Pipeline
----- Unit/Lease Line

SCALE: 1" = 1000'

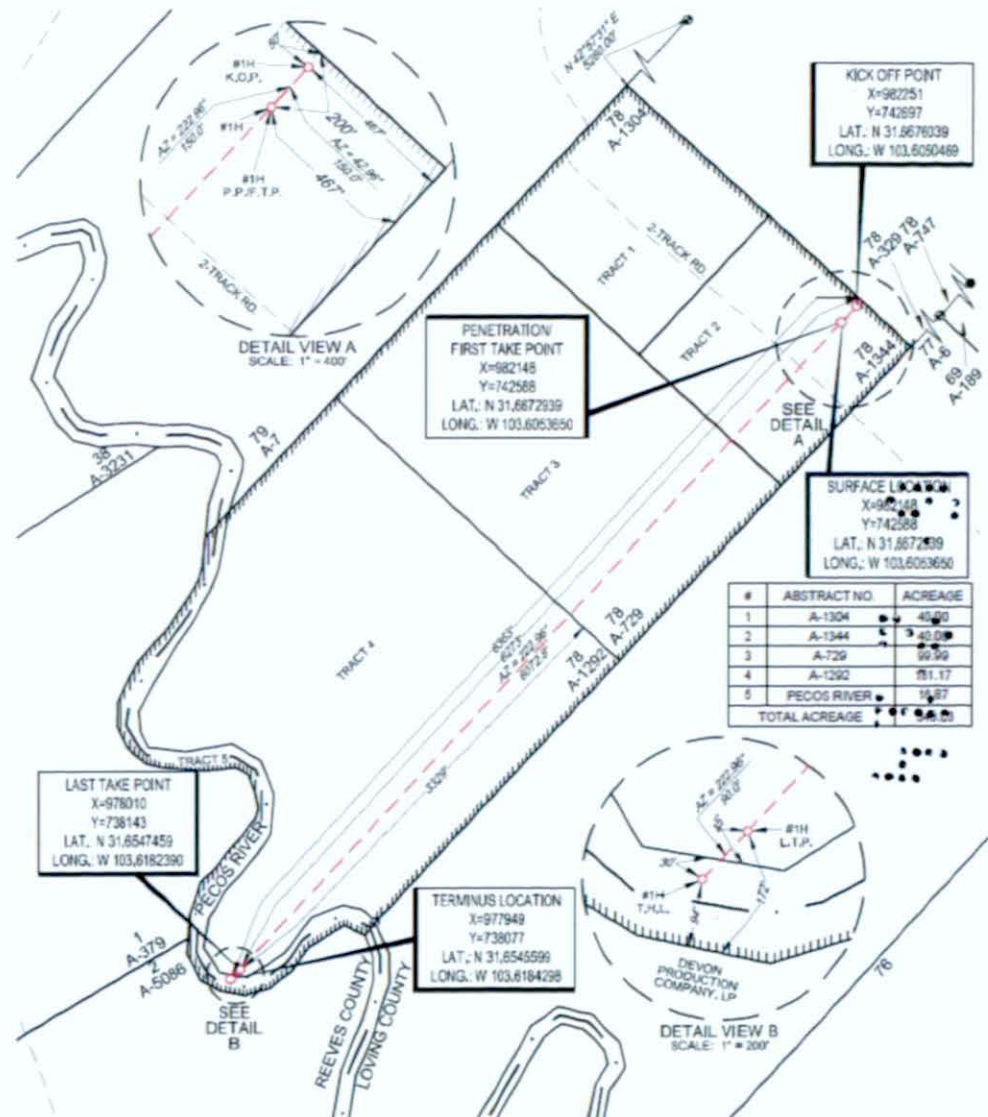
DATE: MARCH 14, 2014

COGO: LOVING_SW_OC

LO_ARNO_1H_REV1

DRAWN BY: P.Y.

REV#	DATE	REVISION
REV#1	03/10/14	
REV#2		
REV#3		
REV#4		
REV#5		



(3)

File No. M-116263
Posting Agent Ticket # 6723
Armo # 11 Unit
Date Filed: 8/1/14
Jerry E. Patterson, Commissioner
By [Signature]

00

00

00

00

MRC Permian Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5234 • Fax 972.371.5201

dstrickling@matadorresources.com

Diane E. Strickling
Senior Land Coordinator

July 31, 2014

Via Federal Express

Mr. J. Daryl Morgan
Texas General Land Office
1700 N. Congress Avenue
Austin, TX 78701

**Re: File with the General Land Office
Pooling Agreement Pursuant to TNRC §52.076
State of Texas / MRC Energy Company
Arno #1H Unit
M-116263 – GLO Unit No. 6723
Loving and Reeves Counties, Texas**

Dear Mr. Morgan:

Pursuant to paragraph 24 of the above referenced Pooling Agreement, I am sending to you a copy of the same to be filed in the records of the General Land Office.

If you have any questions about this matter please contact at (972) 371-5234.

With kind regards,
MRC Energy Company



Diane E. Strickling
Senior Land Coordinator

/des
Enclosures





File No. M-116263
Ltr. From MRL
Date Filed: 8/1/14
Jerry E. Patterson, Commissioner
By [Signature]

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POOLING AGREEMENT PURSUANT TO TNRC § 52.076
STATE OF TEXAS / MRC PERMIAN COMPANY
ARNO #1H UNIT
M-116263 - GLO UNIT NO. 6723
LOVING AND REEVES COUNTIES, TEXAS

THIS AGREEMENT ("Agreement") is made and entered into effective March 4, 2014, by and between the Commissioner of the General Land Office of the State of Texas ("State"), and MRC Permian Company ("MRC").

WITNESSETH THAT:

WHEREAS, the State owns the minerals under approximately 16.86 acres of the Pecos River contained within the boundaries of the 348.03-acre, ARNO #1H Unit ("Unit") said 16.86 acres being hereinafter referred to as the ("unleased interest"); and

WHEREAS, pursuant to Texas Natural Resources Code §52.076(a)(4), the School Land Board has authority to pool unleased river beds and channels owned by the State; and

WHEREAS, MRC and the State desire to pool the unleased interest into said Unit; and

WHEREAS, the School Land Board at its regular meeting on March 4, 2014, determined that pooling said unleased interest as to oil and gas produced from the surface to 100 feet below the deepest depth drilled as more particularly described in Exhibit "2" is in the best interest of the State.

NOW, THEREFORE, in consideration of the payment to the State of \$50,580.00 and of the mutual agreements hereinafter set forth and together with other valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and for the purposes and upon the terms and conditions contained herein, the parties hereto agree as follows:

1. This Agreement is entered into pursuant to the authority granted in Chapter 52, of the Texas Natural Resources Code and Chapter 9 of Title 31 of the Texas Administrative Code and is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of minerals from the Unit and in the interpretation and application hereof this Agreement shall be, in all things, subject thereto.

2. The State and MRC agree that nothing herein shall be construed as granting a leasehold interest to MRC in the unleased interest but rather this Agreement affects a contractual pooling of interests with the respective rights and duties of the parties defined in paragraph 3, below.

3. The rights and duties of the State and MRC with respect to the unleased interest within the boundaries of the Unit shall be established, governed and controlled by the terms, conditions and covenants contained in Exhibit "1" and Exhibit "2" attached hereto and incorporated herein, wherein the State shall be considered the Lessor and MRC the Lessee and the State shall receive its share of Unit production in the form of a royalty as provided in Exhibit "1" and allocated to the State as provided in Exhibit "2" with no obligation to the State for operating costs of any kind, including but not limited to exploring, drilling, equipping, completion, treating, transporting, marketing, plugging, abandonment or restoration.

4. This Agreement shall remain in effect for a term of one year from the effective date (herein called "primary term") and so long as the pooled mineral is being produced in paying quantities from the Unit, or so long as this Agreement is maintained in force by payment of shut-in oil or gas well royalties on a Unit well, by drilling or rework operations on a Unit well, or by other means in accordance with the terms of Exhibit "1" to this Agreement, or so long as the instrument creating the Unit remains in effect; provided that this Agreement shall automatically terminate on the date production of the pooled mineral ceases and there are no further operations on the Unit to re-establish production of the pooled mineral, even though the instrument creating the pooled unit may remain in effect because a dissolution of unit has not been filed of record.

5. Inasmuch as the parties may not be able conveniently to execute one original hereof, it is agreed that a counterpart hereof may be executed by each party to this Agreement, each of which shall be considered an original, and all of said counterparts shall be construed together as one instrument.

6. The terms and provisions hereof shall extend to and be binding upon the heirs, legal representatives, successors, and assigns of the parties hereto.



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7. This Agreement is to be performed in the State of Texas, and the substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the respective dates indicated below.

Date Executed 6/4/14

STATE OF TEXAS

legal ymmj
leas. REW
cont. mm
exec. 2

Jerry E. Patterson
Jerry E. Patterson, Commissioner
General Land Office

Date Executed May 29, 2014

MRC PERMIAN COMPANY

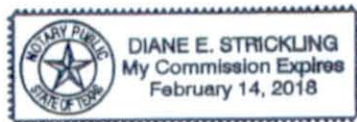
By: CN ^{EXE}
JF

Its: Craig N. Adams, Executive Vice President-Land & Legal

STATE OF TEXAS

COUNTY OF Dallas

This instrument was acknowledged before me on May 29, 2014, by Craig N. Adams as Executive Vice President of MRC Permian Company, a Texas corporation on behalf of said corporation.



Diane E Strickling
Notary Public in and for the State of Texas

CERTIFICATE

I, Stephanie Crenshaw, Secretary of the School Land Board of the State of Texas, do hereby certify that at a meeting of the School Land Board duly held on March 4, 2014, the foregoing instrument was approved by said Board under the provisions of Chapter 52 of the Natural Resources Code all of which is set forth in the Minutes of the Board of which I am custodian.

IN TESTIMONY WHEREOF, witness my hand this 5th day of June, 2014.

Stephanie Crenshaw
Secretary of the School Land Board



EXHIBIT "I"

§52.076 Exhibit I, Revised 3/07

1. RESERVATION AND GRANT: There is hereby excepted and reserved to Lessor the full use of the property covered hereby and all rights with respect to the surface and subsurface thereof for any and all purposes except those granted to Lessee, being the right to explore for, drill and produce the pooled mineral from the pooled area, and Lessor further reserves the rights of ingress and egress and use of said lands by Lessor and its mineral lessees, for purposes of exploring for and producing the minerals and zones which are not covered by this Agreement. All of the rights in and to the pooled area retained by Lessor and all of the rights in and to the pooled area granted to Lessee herein shall be exercised in such a manner that neither shall unduly interfere with the operations of the other.

2. PRODUCTION ROYALTIES: Upon production of the pooled mineral Lessee agrees to pay or cause to be paid to the Commissioner of the General Land Office in Austin, Texas, for the use and benefit of the State of Texas, during the term hereof.

(A) OIL: As a royalty on oil, which is defined as including all hydrocarbons produced in a liquid form at the mouth of the well and also all condensate, distillate, and other liquid hydrocarbons recovered from oil or gas run through a separator or other equipment, as hereinafter provided, $\frac{1}{4}$ part of the gross production or the market value thereof, at the option of the Lessor, such value to be determined by 1) the highest posted price, plus premium, if any, offered or paid for oil, condensate, distillate, or other liquid hydrocarbons, respectively, of a like type and gravity in the general area where produced and when run, or 2) the highest market price thereof offered or paid in the general area where produced and when run, or 3) the gross proceeds of the sale thereof, whichever is the greater. Lessee agrees that before any gas produced from the land hereby pooled is sold, used or processed in a plant, it will be run free of cost to Lessor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered. Upon written consent of Lessor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Lessor.

(B) NON-PROCESSED GAS: As a royalty on any gas (including flared gas), which is defined as all hydrocarbons and gaseous substances not defined as oil in subparagraph (A) above, produced from any well on said land (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products) $\frac{1}{4}$ part of the gross production or the market value thereof, at the option of the Lessor, such value to be based on the highest market price paid or offered for gas of comparable quality in the general area where produced and when run, or the gross price paid or offered to the producer, whichever is greater provided that the maximum pressure base in measuring the gas under this agreement contract shall not at any time exceed 14.65 pounds per square inch absolute, and the standard base temperature shall be sixty (60) degrees Fahrenheit, correction to be made for pressure according to Boyle's Law, and for specific gravity according to test made by the Balance Method or by the most approved method of testing being used by the industry at the time of testing.

(C) PROCESSED GAS: As a royalty on any gas processed in a gasoline plant or other plant for the recovery of gasoline or other liquid hydrocarbons, $\frac{1}{4}$ part of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of the Lessor. All royalties due herein shall be based on one hundred percent (100%) of the total plant production of residue gas attributable to gas produced from this agreement, and on fifty percent (50%) or that percent accruing to Lessee, whichever is the greater, of the total plant production of liquid hydrocarbons, attributable to the gas produced from this agreement; provided that if liquid hydrocarbons are recovered from gas processed in a plant in which Lessee (or its parent, subsidiary or affiliate) owns an interest, then the percentage applicable to liquid hydrocarbons shall be fifty percent (50%) or the highest percent accruing to a third party processing gas through such plant under a processing agreement negotiated at arms' length (or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the industry), whichever is the greater. The respective royalties on residue gas and on liquid hydrocarbons shall be determined by 1) the highest market price paid or offered for any gas (or liquid hydrocarbons) of comparable quality in the general area or 2) the gross price paid or offered for such residue gas (or the weighted average gross selling price for the respective grades of liquid hydrocarbons), whichever is the greater. In no event, however, shall the royalties payable under this paragraph be less than the royalties which would have been due had the gas not been processed.

(D) OTHER PRODUCTS: As a royalty on carbon black, sulphur or any other products produced or manufactured from gas (excepting liquid hydrocarbons) whether said gas be "casinghead," "dry" or any other gas, by fractionating, burning or any other processing, $\frac{1}{4}$ part of gross production of such products, or the market value thereof, at the option of Lessor, such market value to be determined as follows:

- (1) On the basis of the highest market price of each product, during the same month in which such product is produced, or
- (2) On the basis of the average gross sale price of each product for the same month in which such products are produced; whichever is the greater.

(E) NO DEDUCTIONS: Lessee agrees that all royalties accruing to Lessor under this agreement shall be without deduction for the cost of producing, transporting, and otherwise making the oil, gas and other products produced hereunder ready for sale or use.

(F) ROYALTY IN KIND: Notwithstanding anything contained herein to the contrary, Lessor may, at its option, upon not less than 60 days notice to Lessee, require at any time or from time to time that payment of all or any royalties accruing to Lessor under this agreement be made in kind without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products produced hereunder ready for sale or use. Lessor's right to take its royalty in kind shall not diminish or negate Lessor's rights or Lessee's obligations, whether express or implied, under this agreement.

(G) PLANT FUEL AND RECYCLED GAS: No royalty shall be payable on any gas as may represent this agreement's proportionate share of any fuel used to process gas produced hereunder in any processing plant. Notwithstanding anything contained herein to the contrary, and subject to the consent in writing of the General Land Office, Lessee may recycle gas for gas lift purposes on the pooled area after the liquid hydrocarbons contained in the gas have been removed, and no royalties shall be payable on the gas so recycled until such time as the same may thereafter be produced and sold or used by Lessee in such manner as to entitle Lessor to a royalty thereon under the royalty provisions of this agreement.

(H) MINIMUM ROYALTY: The royalties paid to Lessor each year in no event shall be less than \$5.00 per acre pooled; otherwise, there shall be due and payable on or before the last day of the month succeeding the anniversary date of first production a sum equal to \$5.00 per acre pooled less the amount of royalties paid during the preceding year.

3. ROYALTY PAYMENTS AND REPORTS: All royalties not taken in kind shall be paid to the Commissioner of the General Land Office at Austin, Texas, in the following manner: Payment of royalty on production of oil and gas shall be as provided in the rules set forth in the Texas Register. Rules currently provide that royalty on oil is due and must be received in the General Land Office on or before the 5th day of the second month succeeding the month of production, and royalty on gas is due and must be received in the General Land Office on or before the 15th day of the second month succeeding the month of production, accompanied by the affidavit of the owner, manager or other authorized agent, completed in the form and manner prescribed by the General Land Office and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas, together with a copy of all documents, records or reports confirming the gross production, disposition and market value including gas meter readings, pipeline receipts, gas line receipts and other checks or memoranda of amount produced and put into pipelines, tanks, or pools and gas lines or gas storage, and any other reports or records which the General Land Office may require to verify the gross production, disposition and market value. In all cases the authority of a manager or agent to act for the Lessee herein must be filed in the General Land Office. Each royalty payment shall be accompanied by a check stub, schedule, summary or other remittance advice showing by the assigned General Land Office lease number the amount of royalty being paid to each lease number. If Lessee pays his royalty on or before thirty (30) days after the royalty payment was due, then Lessee owes a penalty of 5% on the royalty or \$25.00, whichever is greater. A royalty payment which is over thirty (30) days late shall accrue a penalty of 10% of the royalty due or \$25.00 whichever is greater. In addition to a penalty, royalties shall accrue interest at a rate of 12% per year; such interest will begin accruing when the royalty is sixty (60) days overdue. Affidavits and supporting documents which are not filed when due shall incur a penalty in an amount set by the General Land Office administrative rule which is effective on the date when the affidavits or supporting documents were due. The Lessee shall bear all responsibility for paying or causing royalties to be paid as prescribed by the due date provided herein. Payment of the delinquency penalty shall in no way operate to prohibit the State's right of forfeiture as provided by law nor act to postpone the date on which royalties were originally due. The above penalty provisions shall not apply in cases of title dispute as to the State's portion of the royalty or to that portion of the royalty in dispute as to fair market value.

4. (A) RESERVES, CONTRACTS AND OTHER RECORDS: Lessee shall annually furnish the Commissioner of the General Land Office with its best possible estimate of pooled mineral reserves underlying the pooled area and shall furnish said Commissioner with copies of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts within thirty (30) days after entering into or making such contracts, agreements or amendments. Such contracts and agreements when received by the General Land Office shall be held in confidence by the General Land Office unless otherwise authorized by Lessee. All other contracts and records pertaining to the production, transportation, sale and marketing of the pooled

mineral produced from the pooled area, including the books and accounts, receipts and discharges of all wells, tanks, pools, meters, and pipelines shall at all times be subject to inspection and examination by the Commissioner of the General Land Office, the Attorney General, the Governor, or the representative of any of them.

(B) **DRILLING RECORDS:** Written notice of all operations on the pooled unit shall be submitted to the Commissioner of the General Land Office by Lessee or operator five (5) days before spud date, workover, re-entry, temporary abandonment or plug and abandonment of any well or wells. Such written notice to the General Land Office shall include copies of Railroad Commission forms for application to drill. Copies of well tests, completion reports and plugging reports shall be supplied to the General Land Office at the time they are filed with the Texas Railroad Commission. Lessee shall supply the General Land Office with any records, memoranda, accounts, reports, cuttings and cores, or other information relative to the operation of the above-described premises, which may be requested by the General Land Office, in addition to those herein expressly provided for. Lessee shall send a true copy of all logs on each unit well to the General Land Office within fifteen (15) days after the making of said log.

(C) **PENALTIES:** Lessee shall incur a penalty whenever reports, documents or other materials are not filed in the General Land Office when due. The penalty for late filing shall be set by the General Land Office administrative rule which is effective on the date when the materials were due in the General Land Office.

5. **OFFSET WELLS:** If the pooled mineral should be produced in commercial quantities from a well located on land privately owned or on State land leased at a lesser royalty, which well is within one thousand (1,000) feet of the area included herein, or which well is draining the area covered by this agreement, the Lessee shall, within sixty (60) days after such initial production from the draining well or the well located within one thousand (1,000) feet from the area covered by this agreement begin in good faith and prosecute diligently the drilling of an offset well on the area covered by this agreement, and such offset well shall be drilled to such depth as may be necessary to prevent the undue drainage of the area covered by this agreement, and the Lessee, manager or driller shall use all means necessary in a good faith effort to make such offset well produce oil and/or gas in commercial quantities. Only upon the determination of the Commissioner and with his written approval, may the payment of a compensatory royalty satisfy the obligation to drill an offset well or wells required under this Paragraph.

6. **DRILLING AND REWORKING AT EXPIRATION OF PRIMARY TERM:** If, at the expiration of the primary term, the pooled mineral is not being produced from the pooled area, but Lessee is then engaged in drilling or reworking operations thereon, this agreement shall remain in force so long as operations on said well or for drilling or reworking of any additional wells are prosecuted in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days during any one such operation, and if they result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced in paying quantities from said land, or payment of shut-in oil or gas well royalties or compensatory royalties is made as provided in this agreement.

7. **CESSATION, DRILLING, AND REWORKING:** If at the end of, or after the primary term, production of the pooled mineral should cease from any cause, this agreement shall not terminate if Lessee re-establishes production in paying quantities within sixty (60) days after such cessation or commences additional drilling or reworking operations within sixty (60) days after such cessation, and this agreement shall remain in full force and effect for so long as such operations continue in good faith and in workmanlike manner without interruptions totaling more than sixty (60) days. For a cessation of production prior to the end of the primary term, Lessee may use the expiration of the primary term as the date of cessation of production. If such drilling or reworking operations result in the production of the pooled mineral, the agreement shall remain in full force and effect for so long as the pooled mineral is produced from the pooled unit in paying quantities or payment of shut-in oil or gas well royalties or payment of compensatory royalties is made as provided herein or as provided by law. If the drilling or reworking operations result in the completion of a well as a dry hole, this agreement will not terminate if the Lessee commences additional drilling or reworking operations within sixty (60) days after the completion of the well as a dry hole, and this agreement shall remain in effect so long as Lessee continues drilling or reworking operations in good faith and in a workmanlike manner without interruptions totaling more than sixty (60) days. Lessee shall give written notice to the General Land Office within thirty (30) days of any cessation of production.

8. **SHUT-IN ROYALTIES:** For purposes of this paragraph, "well" means any well that has been assigned a well number by the state agency having jurisdiction over the production of oil and gas. If at any time after the end of the primary term, a well capable of producing the pooled mineral in paying quantities is located on the pooled area, but the pooled mineral is not being produced for lack of suitable production facilities or lack of a suitable market, then Lessee may pay as a shut-in oil or gas royalty an amount equal to \$10.00 per acre pooled, but not less than \$1,200 for each well capable of producing the pooled mineral in paying quantities. To be effective, each initial shut-in oil or gas royalty must be paid on or before: (1) the expiration of the primary term (2) 60 days after the Lessee ceases to produce the pooled mineral from the pooled area, or (3) 60 days after Lessee completes a drilling or reworking operation in accordance with the terms of this agreement; whichever date is latest. If the shut-in oil or gas royalty is paid, this agreement shall be considered to be a producing agreement and the payment shall extend the term of the agreement for a period of one year from the first day of the month following the month in which production ceased, and, after that, if no suitable production facilities or suitable market for the pooled mineral exists, Lessee may extend this agreement for four more successive periods of one (1) year by paying the same amount each year on or before the expiration of each shut-in year.

9. **COMPENSATORY ROYALTIES:** If, during the period the agreement is kept in effect by payment of the shut-in oil or gas royalty, the pooled mineral is sold and delivered in paying quantities from a well located within one thousand (1,000) feet of the pooled area and completed in the same producing reservoir, or in any case in which drainage of the pooled mineral is occurring, the right to continue to maintain the agreement by paying the shut-in oil or gas royalty shall cease, but the agreement shall remain effective for the remainder of the year for which the royalty has been paid. The Lessee may maintain the agreement for four more successive years by Lessee paying compensatory royalty at the royalty rate provided in this agreement of the market value of production from the well causing the drainage or which is completed in the same producing reservoir and within one thousand (1,000) feet of the pooled area. The compensatory royalty is to be paid monthly to the Commissioner beginning on or before the last day of the month following the month in which the pooled mineral is produced from the well causing the drainage or that is completed in the same producing reservoir and located within one thousand (1,000) feet of the pooled area; if the compensatory royalty paid in any 12-month period is in an amount less than the annual shut-in oil or gas royalty, Lessee shall pay an amount equal to the difference within thirty (30) days from the end of the 12-month period; and none of these provisions will relieve Lessee of the obligation of reasonable development nor the obligation to drill offset wells as provided in N.R.C. Section 52.034; however, at the determination of the Commissioner, and with the Commissioner's written approval, the payment of compensatory royalties shall satisfy the obligation to drill offset wells. Compensatory royalty payments, which are not timely paid, will accrue penalty and interest in accordance with Paragraph 3 of this agreement.

10. **USE OF WATER; SURFACE:** Lessee shall have the right to use water produced on said land necessary for operations hereunder and solely upon the pooled area; provided, however, Lessee shall not use potable water or water suitable for livestock or irrigation purposes for water flood operations without the prior written consent of Lessor. Subject to its obligation to pay surface damages, Lessee shall have the right to use so much of the surface of the land that may be reasonably necessary for drilling and operating wells and transporting and marketing the production therefrom, such use to be conducted under conditions of least injury to the surface of the land.

11. **POLLUTION:** In developing this pooled area, Lessee shall use the highest degree of care and all proper safeguards to prevent pollution. Without limiting the foregoing, pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by the use of containment facilities sufficient to prevent spillage, seepage or ground water contamination. In the event of pollution, Lessee shall use all means at its disposal to recapture all escaped hydrocarbons or other pollutant and shall be responsible for all damage to public and private properties.

(A) Lessee shall build and maintain fences around its slush, sump, and drainage pits and tank batteries so as to protect livestock against loss, damage or injury; and upon completion or abandonment of any well or wells, Lessee shall fill and level all slush pits and cellars and completely clean up the drilling site of all rubbish thereon.

(B) No discharge of solid waste or garbage shall be allowed into State waters from any drilling or support vessels, production platform, crew or supply boat, barge, jack-up rig or other equipment located on the pooled area. Solid waste shall include but shall not be limited to containers, equipment, rubbish, plastic, glass, and any other man-made non-biodegradable items. A sign must be displayed in a high traffic area on all vessels and manned platforms stating, "Discharge of any solid waste or garbage into State Waters from vessels or platforms is strictly prohibited and may subject this agreement to forfeiture." Such statement shall be in lettering of at least 1" in size.

(C) **PENALTY:** Failure to comply with the requirements of this provision may result in the maximum penalty allowed by law including forfeiture of the agreement. Lessee shall be liable for the damages caused by such failure and any costs and expenses incurred in cleaning areas affected by the discharged waste.

12. **IDENTIFICATION MARKERS:** Lessee shall erect, at a distance not to exceed twenty-five (25) feet from each well on the premises covered by this agreement, a legible sign on which shall be stated the name of the operator, the State Lease Number designation and the well number. Where two or more wells on the same lease or where wells on two or more leases are

connected to the same tank battery, whether by individual flow line connections direct to the tank or tanks or by use of a multiple header system, each line between each well and such tank or header shall be legibly identified at all times, either by a firmly attached tag or plate or an identification properly painted on such line at a distance not to exceed three (3) feet from such tank or header connection. Said signs, tags, plates or other identification markers shall be maintained in a legible condition throughout the term of this agreement.

13. ASSIGNMENTS: The agreement may be transferred at any time; provided, however, that the liability of the transferor to properly discharge its obligation under the agreement, including properly plugging abandoned wells, removing platforms or pipelines, or remediation of contamination at drill sites shall pass to the transferee upon the prior written consent of the Commissioner of the General Land Office. The Commissioner may require the transferee to demonstrate financial responsibility and may require a bond or other security. All assignments must reference this agreement by the State Lease Number and must be recorded in the county where the pooled area is located, and the recorded assignment or a copy certified to by the County Clerk of the county where the transfer is recorded must be filed in the General Land Office within ninety (90) days of the execution date, as provided by N.R.C. Section 52.026, accompanied by the filing fee prescribed by the General Land Office rules in effect on the date of receipt by the General Land Office of such assignment or certified copy thereof. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the State by the original lessee or any prior transferee of the agreement, including any liabilities to the state for unpaid royalties.

14. LIEN: In accordance with N.R.C. Section 52.136, the State shall have a first lien upon all of the pooled mineral produced from the unit to secure payment of all unpaid royalty and other sums of money that may become due under this agreement. By acceptance of this agreement, Lessee grants the State, in addition to the lien provided by N.R.C. Section 52.136 and any other applicable statutory lien, an express contractual lien on and security interest in all pooled minerals in and extracted from the pooled area, all proceeds which may accrue to Lessee from the sale of such minerals, whether such proceeds are held by Lessee or by a third party, and all fixtures on and improvements to the pooled area used in connection with the production or processing of such minerals in order to secure the payment of all royalties or other amounts due or to become due under this agreement and to secure payment of any damages or loss that Lessor may suffer by reason of Lessee's breach of any covenant or condition of this agreement, whether express or implied. This lien and security interest may be foreclosed with or without court proceedings in the manner provided in the Title 1, Chapter 9 of the Texas Business and Commerce Code. Lessee agrees that the Commissioner may require Lessee to execute and record such instruments as may be reasonably necessary to acknowledge, attach or perfect this lien. Lessee hereby represents that there are no prior or superior liens arising from and relating to Lessee's activities upon the above-described property or from Lessee's pooling of the area. Should the Commissioner at any time determine that this representation is not true, then the Commissioner may declare this agreement forfeited as provided herein.

15. FORFEITURE: If Lessee shall fail or refuse to make the payment of any sum within thirty (30) days after it becomes due, or if Lessee or an authorized agent should knowingly make any false return or false report concerning production or drilling, or if Lessee shall fail or refuse to drill any offset well or wells in good faith as required by law and the rules and regulations adopted by the Commissioner of the General Land Office, or if Lessee should fail to file reports in the manner required by law or fail to comply with rules and regulations promulgated by the General Land Office, the School Land Board, or the Railroad Commission, or refuse the proper authority access to the records pertaining to operations, or if Lessee or an authorized agent should knowingly fail or refuse to give correct information to the proper authority, or knowingly fail or refuse to furnish the General Land Office a correct log of any well, or if Lessee shall knowingly violate any of the material provisions of this agreement, or if this agreement is assigned and the assignment is not filed in the General Land Office as required by law, the rights acquired under this agreement shall be subject to forfeiture by the Commissioner, and he shall forfeit same when sufficiently informed of the facts which authorize a forfeiture, and when forfeited the area shall again be subject to lease or pooling. However, nothing herein shall be construed as waiving the automatic termination of this agreement by operation of law or by reason of any special limitation arising hereunder. Forfeitures may be set aside and this agreement and all rights thereunder reinstated before the rights of another intervene upon satisfactory evidence to the Commissioner of the General Land Office of future compliance with the provisions of the law and of this agreement and the rules and regulations that may be adopted relative hereto.

16. RIVERBED TRACTS: Lessee is hereby specifically granted the right of eminent domain and condemnation as provided for in N.R.C. Sections 52.092-52.093, as a part of the consideration moving to Lessor for the covenants herein made by Lessee.

17. APPLICABLE LAWS AND DRILLING RESTRICTIONS: This agreement shall be subject to all rules and regulations, and amendments thereto, promulgated by the Commissioner of the General Land Office governing drilling and producing operations on Permanent Free School Land (specifically including any rules promulgated that relate to plans of operations), payment of royalties, and auditing procedures, and shall be subject to all other valid statutes, rules, regulations, orders and ordinances that may affect operations under the provisions of this agreement. Without limiting the generality of the foregoing, Lessee hereby agrees, by the acceptance of this agreement, to be bound by and subject to all statutory and regulatory provisions relating to the General Land Office's audit billing notice and audit hearings procedures. Said provisions are currently found at Texas Natural Resources Code Sections 52.135 and 52.137 through 52.140.

18. REMOVAL OF EQUIPMENT: Upon the termination of this agreement, Lessee shall not, in any event, be permitted to remove the casing or any part of the equipment from any producing, dry, or abandoned well or wells on State Land without the written consent of the Commissioner of the General Land Office or his authorized representative; nor shall Lessee, without the written consent of said Commissioner or his authorized representative remove from the pooled area the casing or any other equipment, material, machinery, appliances or property owned by Lessee and used by Lessee in the development and production of the pooled mineral therefrom until all dry or abandoned wells have been plugged and until all slush or refuse pits have been properly filled and all broken or discarded lumber, machinery, or debris shall have been removed from the premises to the satisfaction of the said Commissioner or his authorized representative.

19. FORCE MAJEURE: Should Lessee be prevented from complying with any express or implied covenant of this agreement, from conducting drilling operations thereon, or from producing the pooled mineral therefrom, after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Commissioner of the General Land Office in support of Lessee's contention and Lessee shall not be liable for damages for failure to comply therewith (except in the event of operations suspended as provided in the rules and regulations adopted by the School Land Board); and this agreement shall be extended while and so long as Lessee is prevented, by any such cause, from drilling, reworking operations or producing the pooled mineral from the pooled area; provided, however, that nothing herein shall be construed to suspend the or to abridge Lessee's right to a suspension under any applicable statute of this State.

20. SECURITY: Lessee shall take the highest degree of care and all proper safeguards to protect said premises and to prevent theft of oil, gas, and other hydrocarbons produced from the pooled area. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points of the pooled area's production, gathering and storage systems where theft of hydrocarbons can occur. Lessee shall be liable for the loss of any hydrocarbons resulting from theft and shall pay the State of Texas royalties thereon as provided herein on all oil, gas or other hydrocarbons lost by reason of theft.

21. SUCCESSORS AND ASSIGNS: The covenants, conditions and agreements contained herein shall extend to and be binding upon the heirs, executors, administrators, successors or assigns of Lessee herein.

22. ANTIQUITIES CODE: In the event that any site, object, location, artifact or other feature of archaeological, scientific, educational, cultural, archeological or historical interest are encountered on Permanent School Fund Land during the activities authorized by this agreement, Lessee will immediately cease activities and will immediately notify the General Land Office (ATTN: Archaeologist, Asset Management Division, 1700 N. Congress Ave., Austin, Texas 78701) and the Texas Historical Commission (P.O. Box 12276, Austin, TX 78711) so that adequate measures may be undertaken to protect or recover such discoveries or findings, as appropriate. Lessee is expressly placed on notice of the National Historical Preservation Act of 1966 (PB-89-66, 80 Statute 915; 16 U.S.C.A. 470) and the Antiquities Code of Texas, Chapter 191, Tex. Nat. Code Ann. (Vernon 1993 & Supp. 1998).

23. VENUE: Lessor and lessee, hereby agree that venue for any dispute arising out of a provision of this agreement, whether express or implied, regarding interpretation of this agreement, or relating in any way to this agreement or to applicable case law, statutes, or administrative rules, shall be in a court of competent jurisdiction located in Travis County, State of Texas.

24. FILING: Pursuant to Chapter 9 of the Tex. Bus. & Com. Code, this agreement must be filed of record in the office of the County Clerk in any county in which all or any part of the pooled area is located, and recorded copies thereof must be filed in the General Land Office.



EXHIBIT "2"

PURPOSES:

1.

This Pooling Agreement ("Agreement") is made for the purposes of conservation and utilization of the pooled mineral, to prevent waste, to facilitate orderly development and to preserve correlative rights. To such end, it is the purpose of this Agreement to effect equitable participation within the unit. This Agreement is intended to be performed pursuant to and in compliance with all applicable statutes, decisions, regulations, rules, orders and directives of any governmental agency having jurisdiction over the production and conservation of the pooled mineral and in its interpretation and application shall, in all things, be subject thereto.

UNIT DESCRIPTION:

2.

The oil and gas leases, which are included within the pooled unit, are listed on the attached Exhibit "A", to which leases and the records thereof reference is here made for all pertinent purposes. The pooled unit shall consist of all of the lands described in Exhibit "B" attached hereto and made a part hereof. A plat of the pooled unit is attached hereto as Exhibit "C".

MINERAL POOLED:

3.

The mineral pooled and unitized ("pooled mineral") hereby shall be oil and gas including all hydrocarbons that may be produced from an oil well or a gas well as such wells are recognized and designated by the Railroad Commission of Texas or other state regulatory agency having jurisdiction of the drilling and production of oil and gas wells. The pooled mineral shall extend to all depths underlying the surface boundaries of the pooled unit until the later of one year from the effective date of this Agreement or the date a well spud within one (1) year of the effective date of this Agreement reaches total depth, and thereafter this agreement shall be limited to and only include those depths from the surface to 100 feet below the deepest depth drilled on the unit ("unitized interval").

POOLING AND EFFECT:

4.

The parties hereto commit all of their interests which are within the unit to the extent and as above described into said unit and unitize and pool hereunder the separate tracts described on the attached Exhibit "B", for and during the term hereof, so that such pooling or unitization shall have the following effect:

- (a) The unit, to the extent as above described, shall be operated as an entirety for the exploration, development and production of the pooled mineral, rather than as separate tracts.
- (b) All drilling operations, reworking or other operations with respect to the pooled mineral on land within the unit shall be considered as though the same were on each separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (c) Production of the pooled mineral from the unit allocated to each separate tract, respectively, as hereinafter provided, shall be deemed to have been produced from each such separate tract in the unit, regardless of the actual location of the well or wells thereon, for all purposes under the terms of the respective leases or other contracts thereon and this Agreement.
- (d) All rights to the production of the pooled mineral from the unit, including royalties and other payments, shall be determined and governed by the lease or other contract pertaining to each separate tract, respectively, based upon the production so allocated to such tract only, in lieu of the actual production of the pooled mineral therefrom.
- (e) A shut-in oil or gas well located upon any land or lease included within said unit shall be considered as a shut-in oil or gas well located upon each tract or lease included within said unit.
- (f) If the Railroad Commission of Texas (or any other Texas regulatory body having jurisdiction) shall adopt special field rules providing for oil and/or gas proration units of less than 348 acres, then Lessee agrees to either (1) drill to the density permitted by the Railroad Commission, (2) make application to the School Land Board of the State of Texas to reform the unit to comply with Railroad Commission unit rules, or

(3) make application to the School Land Board of the State of Texas for such remedy as may be agreeable to the Board.

- (g) This Agreement shall not relieve Lessee from the duty of protecting the State lands within the boundaries of the pooled unit described in Exhibit "B" from drainage from any well situated on privately owned land, lying outside the unitized area described in Exhibit "B", but, subject to such obligation, Lessee may produce the allowable for the entire unit as fixed by the Railroad Commission of Texas or other lawful authority, from any one or more wells completed thereon.
- (h) There shall be no obligation to drill internal offsets to any other well on separate tracts within the pooled unit, nor to develop the lands within the boundaries thereof separately, as to the pooled mineral.

ALLOCATION OF PRODUCTION:

5.

For the purpose of computing the share of production of the pooled mineral to which each interest owner shall be entitled from the pooled unit, there shall be allocated to each tract committed to said unit that pro rata portion of the pooled mineral produced from the pooled unit which the number of surface acres covered by each such tract and included in the unit bears to the total number of surface acres included in said unit, and the share of production to which each interest owner is entitled shall be computed on the basis of such owner's interest in the production so allocated to each tract.

DISSOLUTION:

6.

The unit covered by this Agreement may be dissolved by Lessee, his heirs, successors or assigns, by an instrument filed for record in Loving and Reeves Counties, Texas, and a certified copy thereof filed in the General Land Office at any time after the cessation of production on said unit or the completion of a dry hole thereon prior to production or upon such other date as may be approved by the School Land Board and mutually agreed to by the undersigned parties, their successors or assigns.

RATIFICATION/WAIVER:

7.

Nothing in this Agreement, nor the approval of this Agreement by the School Land Board, nor the execution of this Agreement by the Commissioner shall: (1) operate as a ratification or revivor of any State lease or Pooling Agreement that has expired, terminated, or has been released in whole or in part or terminated under the their terms or the laws applicable thereto; (2) constitute a waiver or release of any claim for money, oil, gas or other hydrocarbons, or other thing due to the State by reason of the existence or failure of such lease or Pooling Agreement; (3) constitute a waiver or release of any claim by the State that such lease or Pooling Agreement is void or voidable for any reason, including, without limitation, violations of the laws of the State with respect to such lease or Pooling Agreement or failure of consideration; (4) constitute a confirmation or recognition of any boundary or acreage of any tract or parcel of land in which the State has or claims an interest; or (5) constitute a ratification of, or a waiver or release of any claim by the State with respect to any violation of a statute, regulation, or any of the common laws of this State, or any breach of any contract, duty, or other obligation owed to the State.

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"Exhibit A"

Lease 1:

Date: March 31, 1980

Recorded: Volume 56, Page 702, Oil and Gas Lease Records of Loving County.

Lessor: H.M. Boddy, a single man, and Vivian Boddy, a widow, individually and as independent Executrix of the Estate of J.E. Boddy.

Lessee: H.V. Beck, Jr.

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Lease 2:

Date: February 6, 1979

Recorded: Volume 53, Page 625, Oil and Gas Lease Records of Loving County.

Lessor: State of Texas, acting by and through Bob Armstong, Commissioner of the General Land Office of the State of Texas.

Lessee: American Trading and Producing Company.

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Lease 3:

Date: April 1, 1979

Recorded: Volume 55, Page 258, Oil and Gas Lease Records of Loving County.

Lessor: Anna Goodrich, a widow; Thelma Goodrich, individually and as Independent Executrix of the Estate of Descom Goodrich, Deceased; Ellen Goodrich, individually and as Independent Executrix of the Estate of Gaylord Goodrich, Deceased; and Lloyd Lawson Goodrich

Lessee: American Trading and Production Company.

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Lease 4:

Date: August 31, 1978
Recorded: Volume 52, Page 323, Oil and Gas Lease Records.
Lessor: Starr Commonwealth for Boys, a Michigan corporation.
Lessee: Curtis Pool.

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Lease 5:

Date: September 14, 1978.
Recorded: Volume 53, Page 107, Oil and Gas Lease Records.
Lessor: Hermon Peirce Hubbard and wife, Barbara Hubbard, and Frances H. Kerr, Individually and as Independent Executrix of the Estate of William L. Kerr, Deceased.
Lessee: Curtis Pool.

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Lease 6:

Date: September 29, 1978.
Recorded: Volume 53, Page 143, Oil and Gas Lease Records.
Lessor: UV Industries, Inc., formerly United States Smelting Refining and Mining Company.
Lessee: American Trading and Production Company.

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Lease 7:

Date: December 4, 1978
Recorded: Volume 54, Page 546, Oil and Gas Lease Records.
Lessor: Transwestern, Inc.
Lessee: Curtis Pool.

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Lease 8:

Date: July 21, 1980
Recorded: Volume 57, Page 822, Oil and Gas Lease Records.
Lessor: Felmont Oil Corporation.
Lessee: American Trading and Production Corporation.

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"Exhibit B"

Tract 1:

Farm Lots 19-29 (inclusive) of the F. N. Johnson Subdivision of Section 78, containing 146.9 acres, more or less.

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Tract 2:

Mid part of the Southwest part of Section 78, also known as Farm Lots 9-18 (inclusive) of the F. N. Johnson Subdivision, containing 100 acres, more or less.

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Tract 3:

Farm Lots 1, 3, 5 and 7 of the F. N. Johnson Subdivision of Section 78, containing 40 acres more or less.

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Tract 4:

Farm Lots 2, 4, 6 and 8 of the F. N. Johnson Subdivision of Section 78, and the most Southwesterly 31.345 acres of the SW/4 NE/2 of Section 78, together containing 71.345 acres, more or less.

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Tract 5:

State of Texas mineral interest in 16.86 acres out of the Pecos River, Loving and Reeves Counties, Texas (Pooling Agreement M-116263 - GLO Unit No. 6723)

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LEASE NAME & WELL NO.

ARNO #1H

UNITLEASE ACREAGE

348.03 ACRES

TOPOGRAPHY & VEGETATION

NATURAL MESQUITE PASTURE

NEAREST TOWN IN COUNTY

±3.63 MILES SOUTHWEST OF MENTONE, TEXAS

DESCRIPTION

SECTION 78, H. T. C. RR. CO. SURVEY, A-1344
REEVES/LOVING COUNTY, TEXAS

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us. This plat does not in any way represent a "Boundary Survey", and does not comply with current T.B.P.L.S. Minimum Standards of Procedures for Boundary Surveys.

CERTIFICATION:



Texas Reg. No. 5857

I, Michael Blake Brown, a Registered Professional Land Surveyor, and an authorized agent of Topographic & Surveying, do hereby certify that the above described well location was surveyed and staked on the ground as shown herein. This plat is for Texas Railroad Commission permit only.

ALL BEARINGS, DISTANCES, AND COORDINATE VALUES CONTAINED HEREON ARE BASED UPON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE OF THE NORTH AMERICAN DATUM 1927, U.S. SURVEY FEET
ORIGINAL DOC. SIZE: 8.5"x14"



1400 EVERMAN PARKWAY, Ste. 197 - FT. WORTH, TEXAS 76140
TELEPHONE: (817) 744-7512 - FAX: (817) 744-7548
TEXAS FIRM REGISTRATION NO. 10042504
WWW.TOPOGRAPHIC.COM

Proposed Surface Hole Location:
UNITLEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL

Ground Elevation: 2663.4', Staked 3/14/14

X=982148 Y=742588

LAT.: N 31.6672939 LONG.: W 103.6053650

Kick Off Point

UNITLEASE: 50' FNEL & 467' FSEL
SURVEY/SECTION: 50' FNEL & 467' FSEL
X=982251 Y=742697

LAT.: N 31.6676039 LONG.: W 103.6050469

Proposed Penetration/First Take Point:

UNITLEASE: 200' FNEL & 467' FSEL
SURVEY/SECTION: 200' FNEL & 467' FSEL
X=982148 Y=742588

LAT.: N 31.6672939 LONG.: W 103.6053650

Proposed Last Perforation/Last Take Point:

UNITLEASE: 6273' FNEL & 172' FSWL
SURVEY/SECTION: 3329' FNEL & 45' FSWL
X=978010 Y=738143

LAT.: N 31.6547459 LONG.: W 103.6182390

Proposed Terminus Hole Location:

UNITLEASE: 6367' FNEL & 94' FSWL
SURVEY/SECTION: 30' FNEL & 94' FSWL
X=977949 Y=738077

LAT.: N 31.6545599 LONG.: W 103.6184298

LEGEND:

— X — Force
— E — Powerline
— W — Water Line
— P — Pipeline
— U — Unlabeled Line

SCALE: 1" = 1000'

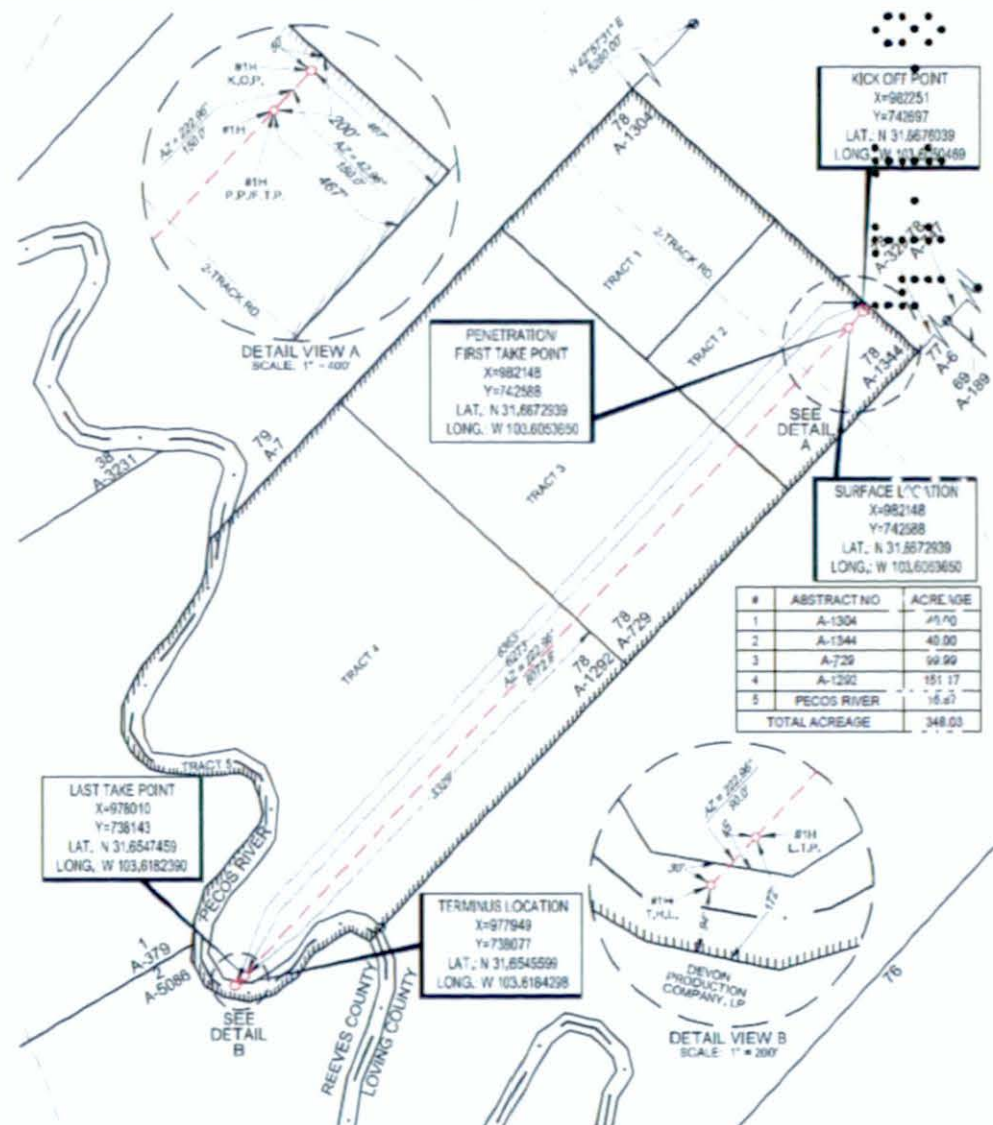
DATE: MARCH 14, 2014

COGO: LOVING_SW_OC

LO_ARNO_1H_REV1

DRAWN BY: P.Y.

REVIEW	DATE REVIEWED
REV: 01	03/15/14



"Exhibit C"

I, Mozelle Carr, Clerk of the County Court, in and for said County, do hereby certify that the within instrument in writing, dated 03/04/2014 with its certification of authentication, was filed in my office 07/09/2014 at 02:40 PM and recorded 07/09/2014 in the OFFICIAL PUBLIC RECORDS of Loving County, Texas with Instrument Number 2014-1296. Witness my Hand and Seal of Said Court, at office in Mentone, Texas, on date and year last above written.



Mozelle Carr
MOZELLE CARR, County Clerk
Loving County Texas

DUSTIN BURROWS, Deputy County Clerk
Loving County Texas

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Inst No. 14-06064

DIANNE O. FLOREZ

COUNTY CLERK

2014 Jul 09 at 02:40 PM

REEVES COUNTY, TEXAS

By: Dustin Burrows DEPUTY

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File No. M-116263
Recorded Pooling Agent
Date Filed: 8/1/14
Jerry E. Patterson, Commissioner
By [Signature]

3703

121

MF 116263 shut in royalty

MRC PERMIAN COMPANY

5400 LBJ FWY STE 1500
DALLAS, TX 75240

15703591 9853

DATE 11/5/14

PAY
TO THE
ORDER OF

Federal Land Office of the State of Texas

\$ 1200.⁰⁰

Twelve hundred & no/100

DOLLARS



Comerica Bank
www.comerica.com

FOR shut in royalty amt 9/11/14

Whl Fyl

⑈009853⑈

Matador Production Company

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240
Telephone 972.371.5200 • Fax 972.371.5201

November 5, 2014

General Land Office of the State of Texas
Attn: Harriet Dunne
1700 N. Congress Room 840
Austin, TX 78701

Re: Oil, Gas and Mineral Leases – Arno 1H: *301-32169 MF078845*
1) dated February 6, 1989, recorded in Volume 53, Pages
625-630, Loving County, Texas
2) dated March 4, 2014, recorded in Volume 1088, Page
321, Loving County, Texas *MF116263*

Dear Mr. Dunne:

Matador Resources Company drilled the Arno 1H Well in Loving County, Texas. The well was completed in the unitized zone and shown capable of producing gas in paying quantities. The well has been shut-in pending construction of a pipeline.

Accordingly, we enclose herewith two (2) checks in the amount of \$1,200.00 in payment of the shut-in rental in accordance with the terms and provisions of the above-described oil, gas and mineral leases.

Please acknowledge receipt of this payment by signing in the space provided below and returning one copy of this letter to our office in the self-addressed, stamped envelope enclosed for this purpose.

Please feel free to call me if you have any questions about this matter.

Very truly yours,

MATADOR RESOURCES COMPANY

J. Troy Wall
Senior Division Order Analyst

Enclosure

5441
TWall @ matadorresources.com
See back →

APPROVED BY: _____

CHECK REQUEST

FOR: MRC PERMIAN COMPANY

DATE: November 5, 2014

PAYEE: General Land Office of the State of Texas
Attn: Harriet Dunne

ADDRESS: 1700 N. Congress Avenue Room 840
Austin, Texas 78701

TAX ID#: On File

AMOUNT OF CHECK: \$1,200.00

PROSPECT / WELL NAME: WOLF PROSPECT - 420214-000; ARNO #1H (420214-002)
MRC Lease 420214-S-0036-00

DESCRIPTION: Shut-in Royalty Payment - ARNO #1H Well, Loving County, Texas
Shut-in on 9/11/14 due to Lack of marketing facilities - Waiting on pipeline.
Vol 1088, Page 321 - 343. Loving County TX

SPECIAL INSTRUCTIONS: _____

DESCRIPTION ON CHECK: Shut-in Royalty Payment - ARNO #1H Well, Loving County, Texas
Shut-in on 9/11/14 due to Lack of marketing facilities - Waiting on pipeline.

RETURN CHECK TO: Troy Wall

DUE DATE: ASAP

INV #	VENDOR #
G/L #	
PROPERTY # 420214-	
ENTERED DATE:	

File No. MF116263 6.
Shut in royalty
payment
Date Filed: 11-6-14
Jerry E. Patterson, Commissioner
By JEP

TEXAS



GENERAL LAND OFFICE

JERRY PATTERSON, COMMISSIONER

November 13, 2014

(sent via e-mail to TWall@matadorresources.com)

Troy Wall
Matador Resources Company
5400 LBJ Freeway Ste 1500 One Lincoln Center
Dallas TX 75240

Re: State Lease No. MF078845 dated 2/06/79 recorded Vol 53/pg 625
State Lease No. MF116263 dated 3/01/14 recorded Vol 1088/pg 321
ARNO #1H Well – your lease no. 420214-000
Loving Co TX – Shut-in royalty payments

Dear Mr. Wall:

This acknowledges receipt of your two checks in the amount of \$1200.00 each on November 6, 2014 as shut-in royalty payments for the referenced State leases. Acceptance of these payments does not ensure that agreement obligations have been met. Our shut-in affidavit (copy attached) must be completed, notarized and returned to the General Land Office within 30 days of the date of this letter.

If you would like to access the affidavit form online, you may find it here:

<http://www.glo.state.tx.us/energy/leasesales/shut-in/index.html>

Please note that the Texas Administrative Code contains the following provision at Title 31, Part I, Chapter 9, Subchapter C, Rule 9.36, (e).

(e) Affidavit required. Upon receipt of a shut-in royalty, the GLO will send a shut-in affidavit to the party paying the shut-in royalty. The affidavit must be completed and returned to the GLO. Failure to complete and return the affidavit as required may result in a penalty under §9.32(c)(3)(B)(iii), and/or forfeiture of the lease.

The reasons set out in your agreement for a shut-in are “oil or gas is not being produced for lack of suitable production facilities or lack of a suitable market.” Note that the well must be capable of producing in paying quantities. Please be sure your reason(s) in the affidavit address those set out in the lease.

I look forward to hearing from you within the required 30 day period with the executed shut-in affidavit.

Yours truly,

Harriet Dunne, CPL
Mineral Leasing, Energy Resources
512-475-1579
512-475-1543 (fax)
harriet.dunne@glo.texas.gov

Stephen F. Austin Building • 1700 North Congress Avenue • Austin, Texas 78701-1495

Post Office Box 12873 • Austin, Texas 78711-2873

512-463-5001 • 800-998-4GLO

www.glo.state.tx.us

From: Harriet Dunne
To: Troy Wall
Date: 11/13/2014 2:06 PM
Subject: Response to payment of two shut-in royalties for State Lease MF078845 & MF116263
Attachments: 20141113134013058.pdf; affidavit[1].pdf

Troy,

Attached is my letter requesting a shut-in affidavit to be filled out, one affidavit for each lease.

Attached is the affidavit form. Let me know if you have questions.

I look forward to hearing from you on or before December 15, 2014.

Harriet Dunne, CPL
Manager, Mineral Leasing, Energy Resources
Texas General Land Office
512-475-1579
harriet.dunne@glo.texas.gov

File No. MF 116263 7.

It is requested that in
affidavit

Date Filed: 11-13-14

Jerry E. Patterson, Commissioner

By [Signature]



Permit 782.450

Unit 6723

0.06957730 rev iat

Please respond fully to all applicable questions on this affidavit. Shut-in may be denied for failure to provide information establishing the validity of this request for shut-in status. For shut-in leases contained within units, separate affidavits must be submitted for each state lease within the unit.

Land Office lease no. M- 078845		Operator Mintador Production Company	
Lease name Arno		Field name Phantom (Wolfcamp) + Two Georges (Bone Springs)	
Area		Tract	Part
			Acres
Section 78	Block 33	Grantee	County Loving

Wells must be capable of producing in paying quantities. Attach an extra sheet to list additional gas wells.

GAS			
Well # <u>1H</u>	RRC ID # <u>API# 42-301-32161</u>	Date shut-in <u>9/11/2014</u>	Produced in past? ☒ Yes ☐ No
Reason shut-in <u>lack of suitable facilities - waiting on pipeline to be built.</u>			
Well capable of producing @ <u>4.5m</u> MCF/D + <u>250</u> Bbls condensate + <u>2700</u> BBlS Water			
Well #	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ MCF/D + Bbls condensate + BBlS Water			
Well #	RRC ID #	Date shut-in	Produced in past? ☐ Yes ☐ No
Reason shut-in			
Well capable of producing @ MCF/D + Bbls condensate + BBlS Water			

Please list additional oil wells in the additional information section below

OIL					
RRC Lease ID #	No. of wells for ID #	Date shut-in	TOTAL DAILY POTENTIAL RATE FOR ID #		
			Bbls oil	MCF gas	Bbls water

Reason oil wells are shut-in _____

Method of water disposal for above gas and oil leases Trucking

Total shut-in payment due for this lease \$ 1,200 - already paid

Indicate which one of these is applicable

☐ payment is being made at the rate of twice the annual rental

☐ payment is being made at the rate of \$ _____ for each well/completion

Are gas wells connected to a pipeline?

☒ YES

☐ NO

Will purchaser take gas?

Name of nearest purchaser _____

☒ yes-price per MCF offered \$ _____

Distance _____

☐ no

Price offered \$ _____

List all producing wells within 1,000 feet of this lease. If there are wells more than 1,000 feet from the lease which are draining the lease, list these also.

Operator	Lease Name	Well #	RRC ID #	Distance	Completion Interval	Status
NONE						

Please provide any additional information here:

We are currently waiting on TXDOT to complete road repairs for FM 867, which is currently washed out from the recent flooding. Without access to FM 867, we are unable to access the Arno location/facilities to resume production. We anticipate the road to be completed in 2-3 weeks based upon information we received from TXDOT.

completion date: 8/29/2014

Contact

Troy Wattle

Operator's representative

Phone

972-391-5441

I certify that this statement is true and correct.

By: Troy Wattle Title: SR. Div. Order Analyst

Sworn and subscribed to before me, the undersigned authority

this 4th day of December, 20 14

Notary Public in and for

Dallas

County, State of

Texas

GLO Use Only

Receiving Stamp



File No. MF11623
Shut in Affidavit

8.

Date Filed: 12-4-14
Jerry E. Patterson, Commissioner
By [Signature]

SHUT-IN ROYALTY COMMITTEE Meeting, Mineral Leasing
December 22, 2014, 1:15 p.m.

Well Name	Arno #1H Well API 301-32169 RRC Permit 08-782450
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State Lease No.	MF078845	Lease NRI	0.20
	MF116263		0.25

State Unit No.	6723	Unit NRI	0.06957730
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Operator	Matador Resources
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Field	Phantom (Wolfcamp) & Two Georges (Bone Springs)	County	Loving
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Lease Date	02/06/79	Lease Term (52.076)	<u>3 yr</u> Perm Unit	Lessee	American Trading & Production MRC Permian
	03/04/14				

Shut-in Royalty	1200.00 x 2	Date Received	11/06/14
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Affidavit received	11/25/14	Date Well shut in	9/11/14
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Reason for shut-in:

Lack of marketing facilities – waiting on pipeline.

Additional Comments:

We are currently waiting on TxDOT to complete road repairs for FM867 which is currently washed out from recent flooding. Without access to FM867 we are unable to access the Arno location facilities and resume production. We anticipate the road to be completed by the end of the month based on info received from TxDOT.

Capable of producing:	Oil	250 bbl/d	Gas	4.5 mmcf/d	Water	2700 bbl/d
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History:

Well completed	8/29/2014
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Prior Shut-ins	
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Additional Comments:

MF116263 is a 52.076 within first year of term. No shut-in royalty due on this agreement this year.

Decision of Committee:

Accept payment.

File No. MF 116263
SIR Committee Azguda P.
& decision

Date Filed: 12-22-14

Jerry E. Patterson, Commissioner

By JEP

✓ MF 116263
MF Unit 6723
MF 078845
DIVISION ORDER

TO: MRC ENERGY COMPANY
Attn: Troy Wall
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

Date: January 15, 2015
Effective: Date of First Production
Product: Oil and/or Gas

Property Number: 420214-003
Property Name: ARNO 1H
Operator: API 301-32169
Matador Production Company
Parish/State: Loving County, Texas

Property Description:
348.03 acres, more or less, located in Block 33, in the H & T C RR CO Survey, A-329, Loving County, Texas, covering those depths from the top of the Bone Spring Formation to 12,000 feet subsurface.

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by MRC Energy Company.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or pay annually upon written request from Owner, or as required by applicable state statute. Upon termination of this agreement, payments shall be made to the respective parties entitled thereto regardless of the amount or amounts due.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

OWNER # COM0012	OWNER NAME & ADDRESS Commissioner of the General Land Office of the State of Texas Stephen F Austin Building0 Austin, TX 78701-1436
---------------------------	--

TYPE INTEREST: Royalty DECIMAL INTEREST: 0.06957877 ✓

Commissioner of the General Land Office

SIGNATURE: _____

TITLE: _____

SS# or Tax ID#: _____

WITNESS: _____

FEDERAL LAW REQUIRES YOU TO PROVIDE YOUR TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER. FAILURE TO COMPLY WILL RESULT IN 28% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.

MODEL FORM DIVISION ORDER ADOPTED AND ENDORSED BY THE NATIONAL ASSOCIATION OF DIVISION ORDER ANALYSTS AND THE NATIONAL ASSOCIATION OF ROYALTY OWNERS. (09-95)



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

July 12, 2016

Troy Wall
Division Order Analyst
MRC Energy Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240-1017

Re: State Lease Nos. ✓ MF116263/MF078845 Arno 1H (Unit 6723);
MF116244 Lyssy A Unit 1H (Unit 6727); and
MF116251 Norton Schaub 84 TTT B33 WF 2010H (Unit 6718)

Dear Mr. Wall:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file.

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF 116263

Division Order County

Date Filed: 7-12-16

George P. Bush, Commissioner

By V.H.

DIVISION ORDER

MF078845
MF 116263 ✓
Unit 6723

TO: MRC PERMIAN COMPANY
Attn: Debra Warner
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240-1017

Date: June 21, 2017
Effective: May 1, 2017
Product: Oil and/or Gas

Property Number / Name:
420214-047 Arno 78-TTT-B33 WF 202H
420214-077 Arno 78-TTT-B33 WF 121H
420214-078 Arno 78-TTT-B33 WF 122H

Operator: Matador Production Company

County/State: Loving County, Texas

Property Description:

348.03 acres out of Section 78, Block 33, H&TC RR Co. Survey, A-1344 and the State of Texas Land underlying the Pecos River as it flows along the southwestern boundary of Section 78, Block 33, H&TC RR Co. Survey, A-1344, Loving and Reeves Counties, Texas

The undersigned certifies the ownership of their decimal interest in production or proceeds as described above payable by MRC Permian Company.

Payor shall be notified, in writing, of any change in ownership, decimal interest, or payment address. All such changes shall be effective the first day of the month following receipt of such notice.

Payor is authorized to withhold payment pending resolution of a title dispute or adverse claim asserted regarding the interest in production claimed herein by the undersigned. The undersigned agrees to indemnify and reimburse Payor any amount attributable to an interest to which the undersigned is not entitled.

Payor may accrue proceeds until the total amount equals \$100.00, or pay annually upon written request from Owner, or as required by applicable state statute. Upon termination of this agreement, payments shall be made to the respective parties entitled thereto regardless of the amount or amounts due.

This Division Order does not amend any lease or operating agreement between the undersigned and the lessee or operator or any other contracts for the purchase of oil or gas.

OWNER #
COM0012

OWNER NAME & ADDRESS
Commissioner of the General Land Office
of the State of Texas
Stephen F Austin Building
1700 N Congress, Room 600
Austin, TX 78701-1436

TYPE INTEREST: Royalty

DECIMAL INTEREST: 0.06957878

Commissioner of the General Land Office of the State of Texas

SIGNATURE: _____

PHONE: _____

SS# or Tax ID#: _____

FAX: _____

WITNESS: _____

E-MAIL: _____

FEDERAL LAW REQUIRES YOU TO PROVIDE YOUR TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER. FAILURE TO COMPLY WILL RESULT IN 28% TAX WITHHOLDING AND WILL NOT BE REFUNDABLE BY PAYOR.

MODEL FORM DIVISION ORDER ADOPTED AND ENDORSED BY THE NATIONAL ASSOCIATION OF DIVISION ORDER ANALYSTS AND THE NATIONAL ASSOCIATION OF ROYALTY OWNERS. (09-95)

RETAIN COPY FOR YOUR FILES



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

August 28, 2017

Debra Warner
Division Order Analyst
MRC Energy Company
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240-1017

Re: State Lease Nos. MF078845 and MF116263 Arno 78-TTT-B33 WF 202H, 121H and 122H (Unit 6723)

Dear Mr. Warner:

The Texas General Land Office (GLO) has received your Division Order for the referenced unit. This Division Order has been filed in the appropriate mineral file(s).

The payment of royalties attributable to state-owned mineral and royalty interests is set by contract and applicable statutes and rules. The execution of division orders may, in some cases, affect the manner in which such payments are made or calculated. Therefore, Title 31, §9.32, of the Texas Administrative Code specifies that GLO staff cannot execute a division order or bind the state to any terms contained within it.

Subject to applicable state law and the state's right to take its production in-kind, the GLO acquiesces to the sale of oil and gas in accordance with the terms and conditions set out in the oil and gas leases. If you have questions concerning this matter, please feel free to e-mail me at the address below my signature.

We look forward to being put on pay status as soon as you are able to set up the wells in our RRAC system.

Thank you,

Vivian Hernandez
Landman, Energy Resources
512-475-0428
512-475-1543 (fax)
vivian.hernandez@glo.texas.gov

File No. MF 116263

County

Division Order

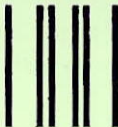
Date Filed: 8-28-17

By VH George P. Bush, Commissioner

USPS TRACKING #



9590 9402 1972 6123 7483 10



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box •

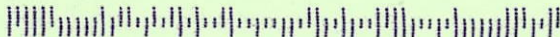


Texas General Land Office

George P. Bush, Commissioner

P.O. Box 12873

Austin, Texas 78711-2873



MF116263
Verdis
74L FLR
ENERGY

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Matador Production Company
5400 LBS Fwy Ste 1500
Dallas, TX 75240-1017



9590 9402 1972 6123 7483 10

2. Article Number (Transfer from service label)

7011 1150 0001 2420 3253

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 17?

If YES, enter delivery address below:

☒ Yes

☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery

- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

Mail
Mail Restricted Delivery

(over \$500)

U.S. Postal Service™

CERTIFIED MAIL™ RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage

\$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$

MF116263

Postmark
Here

Sent To

Matador Production Company

Street, Apt. No.;
or PO Box No.

5400 Lyndon B Johnson Fwy Ste

City, State, ZIP+4

Dallas, Tx 75240-1017 1500

7011 1150 0001 2420 1000 0511 1102

Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A record of delivery kept by the Postal Service for two years

Important Reminders:

- Certified Mail may **ONLY** be combined with First-Class Mail[®] or Priority Mail[®].
- Certified Mail is *not* available for any class of international mail.
- **NO INSURANCE COVERAGE IS PROVIDED** with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a *Return Receipt* may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS[®] postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "*Restricted Delivery*".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

IMPORTANT: Save this receipt and present it when making an inquiry.



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Matador Production Company
5400 Lyndon B Johnson Fwy Ste 1500
Dallas, TX 75240-1017

Billing Date: 10/17/2019
Billing Due Date: 11/16/2019
Customer Number: C000045645

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00102	MF116263	\$0.00	\$6,465.90	\$646.59	\$442.34	\$7,554.83
Total Due		\$0.00	\$6,465.90	\$646.59	\$442.34	\$7,554.83

Penalty and interest have been calculated thru 10/31/2019. Payment remitted after 10/31/2019 will result in additional penalty and interest charges.

Contact Info: Alexis Ford (512) 475-1447 or alexis.ford@glo.texas.gov

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

Matador Production Company

Billing Date: 10/17/2019

Billing Due Date: 11/16/2019

Customer Number: C000045645

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00102	MF116263	\$0.00	\$6,465.90	\$646.59	\$442.34	\$7,554.83
Total Due		\$0.00	\$6,465.90	\$646.59	\$442.34	\$7,554.83
Amt. Paid						



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Matador Production Company
5400 Lyndon B Johnson Fwy Ste 1500
Dallas, TX 75240-1017

Billing Date: 10/17/2019
Billing Due Date: 11/16/2019
Customer Number: C000045645

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00099	MF078845	\$0.00	\$31,185.62	\$3,118.56	\$2,116.91	\$36,421.09
Total Due		\$0.00	\$31,185.62	\$3,118.56	\$2,116.91	\$36,421.09

Penalty and interest have been calculated thru 10/31/2019. Payment remitted after 10/31/2019 will result in additional penalty and interest charges.

Contact Info: Alexis Ford (512) 475-1447 or alexis.ford@glo.texas.gov

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Detach and return with payment

Reconciliation Billing

Matador Production Company

Billing Date: 10/17/2019

Billing Due Date: 11/16/2019

Customer Number: C000045645

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I00099	MF078845	\$0.00	\$31,185.62	\$3,118.56	\$2,116.91	\$36,421.09
Total Due		\$0.00	\$31,185.62	\$3,118.56	\$2,116.91	\$36,421.09
Amt. Paid						

Customer ID: C000045645
 Invoice Number: 20I00099
 GLO Lease: MF078845
 GLO Review: MATADOR PRODUCTION COMPANY
 Review Period: SEP 2017 - AUG 2018

Category: Oil
 Auditor/AE: Aford
 Billing Date: 10/7/2019
 P&I Calculation Date: 10/31/2019
 Royalty Rate: 20.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Apr-18	08-46141	0	0	\$0.00	0	\$0.00	\$29,609.13	\$221.45	\$29,387.68	513	5.50%	\$2,938.77	\$2,010.44	\$34,336.89
Jun-18	08-46141	0	0	\$0.00	0	\$0.00	\$28,555.98	\$26,758.04	\$1,797.94	452	5.50%	\$179.79	\$106.47	\$2,084.20
TOTALS							\$58,165.11	\$26,979.49	\$31,185.62			\$3,118.56	\$2,116.91	\$36,421.09

ATTN: Tim Esch
 CERTIFIED MAIL 7011 1150 0001 2420 3253

COMMENTS: ROYALTY DUE WAS COMPARED TO ROYALTY PAID.

COLUMN (2) RRC NUMBER - REPRESENTS RRC WELL ID 08-101567 (UNIT 461) AND 08-46141 & 08-49139 (UNIT 6723).

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

Customer ID: C000045645
 Invoice Number: 20I00102
 GLO Lease: MF116263
 GLO Review: MATADOR PRODUCTION COMPANY
 Review Period: SEP 2017 - AUG 2018

Category: Oil
 Auditor/AE: Aford
 Billing Date: 10/8/2019
 P&I Calculation Date: 10/31/2019
 Royalty Rate: 25.00%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Month / Year	RRC Number	Gas/Oil Volume	Tract Participation Rate	Price	BTU	Gross Value	Royalty Due	Royalty Paid	Additional Royalty Due	Number of Days Late	Interest Rate For Additional Royalty	Penalty Rate From Additional Royalty	Interest Rate From Additional Royalty2	Revenue Due
Apr-18	08-46141	0	0	\$0.00	0	\$0.00	\$6,244.45	-\$221.45	\$6,465.90	513	5.50%	\$646.59	\$442.34	\$7,554.83
TOTALS							\$6,244.45	-\$221.45	\$6,465.90			\$646.59	\$442.34	\$7,554.83

ATTN: Tim Esch
 CERTIFIED MAIL 7011 1150 0001 2420 3253

COMMENTS: ROYALTY DUE WAS COMPARED TO ROYALTY PAID.

COLUMN (2) RRC NUMBER - REPRESENTS RRC WELL ID 08-46141 & 08-49139 (UNIT 6723).

COLUMNS (12), (13), (14) PLEASE GO TO THIS WEB SITE FOR EXPLANATION OF PENALTY AND INTEREST ASSESSMENT:

<http://www.glo.texas.gov/energy-business/oil-gas/rrac/forms/penalty-interest-assessment-rules.pdf>

NOTE 1: PLEASE REMIT PAYMENT OF THIS INVOICE SEPARATELY FROM REGULAR ROYALTY PAYMENTS. THE PREFERRED METHOD OF PAYMENT IS BY CHECK ACCOMPANIED WITH THE BOTTOM HALF OF THE ATTACHED INVOICE. IF PAYMENT IS MADE THROUGH ACH DEBIT, NOTIFY THE AUDITOR AS TO THE REMITTANCE DATE SO THE INVOICE CAN BE PROPERLY CREDITED.

12

File No. MF 116 263

Reconciliation Billing County

Date Filed: 10/17/19

George P. Bush, Commissioner

By VD



Texas General Land Office

Reconciliation Billing

George P. Bush, Commissioner

PO Box 12873
Austin, TX 78711-2873
(800) 998-4456
8:00 - 5:00 M-F

Wolf Energy INC.
1304 N Big Spring St
Midland, TX 79701-2752

Billing Date: 6/9/2020
Billing Due Date: 7/9/2020
Customer Number: C000046543

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I12123	MF116263	\$1,075.47	\$0.00	\$107.55	\$44.05	\$1,227.07
Total Due		\$1,075.47	\$0.00	\$107.55	\$44.05	\$1,227.07

Penalty and interest have been calculated thru 6/30/2020. Payment remitted after 6/30/2020 will result in additional penalty and interest charges.

Contact Info:

NOTICE

- Please update GLO1 and GLO2 production reports to correct volumes.
- Please do not update GLO3 report to include billed royalty, penalty or interest. This receivable has already been recorded.
- For other royalty reporting questions, visit <http://www.glo.texas.gov>, call (512) 463-6850 or email us at glo123@glo.texas.gov.

This notice does not constitute an Audit Billing Notice as defined in Section 52.135 of the Texas Natural Resources Code and, consequently, does not preclude the TGLO from conducting further examinations of these leases, time periods or issues.

Detach and return with payment

Reconciliation Billing

Wolf Energy INC.

Billing Date: 6/9/2020

Billing Due Date: 7/9/2020

Customer Number: C000046543

Remit Payment To:

Texas General Land Office

PO Box 12873

Austin, TX 78711-2873

Invoice	Mineral File	Gas Royalty	Oil Royalty	Penalty	Interest	Total Due
20I12123	MF116263	\$1,075.47	\$0.00	\$107.55	\$44.05	\$1,227.07
Total Due		\$1,075.47	\$0.00	\$107.55	\$44.05	\$1,227.07
Amt. Paid						

File No. MF 116 263 15

Recon Billing County

Date Filed: 1/4/2022

George P. Bush, Commissioner VD

Py _____